

Human Capital and Economic Growth in OECD Countries

By Torge Middendorf, Essen

JEL O40, I20, C23

Human capital accumulation, convergence, fixed-effects estimation, instrumental variable estimation.

Summary

Recent studies on international student performance renewed the interest in the contribution of human capital to economic growth. So far the exploration of large country comparisons delivered rather mixed results. Concentrating on OECD member countries, this paper uses panel data estimation techniques to refine this analysis. Furthermore, as theory differs about the right measure of human capital, the impact of the human capital stock as well as its rate of accumulation on economic growth is analyzed. Yet estimation results reveal only a positive impact of the human capital stock on economic growth suggesting that an increase in average schooling years by one year yields a rise in the GDP growth rate of about 0.5 percentage points. However, when taking possible endogeneity into account in an instrumental variables approach, these conclusions on the impact of the level of human capital on economic growth is demonstrated to be rather fragile.